

**Tompkins County IDA Meeting Minutes
December 13, 2010
Scott Heyman (Old Jail) Conference Room
Ithaca, NY**

Present: Martha Robertson, Dan Cogan, Jim Dennis, Jeff Furman, Will Burbank, David Squires, Nathan Shinagawa, Larry Baum

Excused:

Staff Present: Ina Arthur (recording), Heather Filiberto, Michael Stamm, Mariette Geldenhuys

Guests Present: Nick Vaczek (resident Village of Lansing), Gina Speno (Shops at Ithaca Mall), Pat Pryor (TC Legislator), Dan Veaner (Lansing Star), Andrew Sussman, Eric Goetzmann (Arrowhead Ventures), Kathy Miller (Town of Lansing Board), Frank Proto (TC Legislator), Patricia O'Rourke (Village of Lansing), Lynn Leopold (Village of Lansing), John O'Neill (Village of Lansing), Joann Cornish (City of Ithaca), Carolyn K. Peterson (Mayor, City of Ithaca), Julie Baker (Trustee, Village of Lansing), Syl Kacapyr (WHCU News), David Dubow (Attorney, Village of Lansing), Jim Bold (Consultant to Arrowhead), Jay Franklin (TC Assessment), Rob Ainslie (ICSD BOE), Jean McPheeters (TC Chamber of Commerce/TCAD Board), Marcia Lynch (TC Public Information), Peter Wissoker (resident, City of Ithaca)

CALL TO ORDER Ms. Robertson called the meeting to order at 8:05 AM.

Ms. Robertson stated that she would be pleased to have BJ's in the community where the company would be welcome to compete with other businesses. She commented on a correction to an article in the Lansing Star. The article stated that the projected sales tax impact would be \$40,000,000. This figure is the amount of sales, not taxes generated from sales. Also the amount the County would see from sales tax should be \$420,000.

ADDITIONS TO THE AGENDA None

PRIVILEGE OF THE FLOOR

Rob Ainslie – Mr. Ainslie commented that the school board wished it had been included in the process a bit earlier. They have deferred their vote on this project until the TCIDA and other municipalities have weighed in. The school board does not want to “kill the deal.” They are more focused on funds for youth programs. They see this project as possible jobs for parents of children in the community. The school board does not usually get into the business of PIFs and doesn't have time to focus on this issues so they are looking to others to take the lead. On a person note, as a someone who works for a large corporation, this sort of pushing and pulling between municipalities will not fair well in terms of the project coming to another area in the County.

Lynn Leopold – Ms. Leopold stated that this project has been a long time in coming. The Village has been working on it for over a year. At the outset, the Village did not want to redo the traffic patterns. But once they saw what the Village could get in terms of a buffer zone between residential and commercial along with the restoration of a wet land area, the project became more desirable. The Village has been thinking of this for a while. It has been an enormous amount of work for the Village and the developer. The Village of Lansing does not want to fight with other municipalities and would like the support for this project.

Peter Wissoker – Mr. Wissoker stated that he had some questions on the issue of tax revenues to be generated from this project. The report from the MFA suggested that \$40,000,000 in sales will be generated and \$1.6M in sales tax. He does not question the amount of sales, but does wonder how much incremental sales gain there really will be. The report suggests \$34,000,000 in new sales to the county. \$18M of this will be food and pharmacy that is not taxable. BJ's annual report suggests \$26M in food and pharmacy and so there is only \$14M of sales that are taxable. The report suggests there is a large amount of food sales already in Tompkins County. Also this BJ's will not have gas sales.

Another question relates to what is taxable and how much will be taxable. BJ's sells non-perishable, paper, electronic, and cleaning products among other things. It seems that the MFA report is not accurate. He cannot see the IDA issuing bonds for senior housing if they will be rented at the market rate. He hopes that the IDA will consider affordable housing for seniors.

Jean McPheeters – She stated that she would like to ask for support of the resolution. This would comply with the request of the municipalities and work with the comprehensive plan of the Village of Lansing. The IDA has supported other retail projects such as the Lansing Market and Neighborhood Pride grocery stores thus helping with nodal development in the City of Ithaca and Town of Lansing. Also, the opportunity is there to use Recovery Zone bonds that will disappear at the end of the year. Ms. McPheeters thanked the staff of TCAD for their support and the enormous amount of work that has gone into this project over the past six months.

Joann Cornish – Ms. Cornish commented that she also welcomes BJ's into the community. The real concern is the use of tax incentives to support a big box retailer and the precedent that this would set.

Ms. Robertson reminded all that BJ's would not be receiving direct benefits from this project; the developer would be receiving them.

Pat Pryor – Ms. Pryor echoed Ms. McPheeter's comments and would like to ask for support for the project. She has heard from her constituents and they want and need this project to go forward in these hard economic times. She commented on how developers in the past in the City of Ithaca did not receive incentives, but if one does look at all the infrastructure work done on Route 13 and all the feeder roads built and paid for with wax money, one does see how other projects in the past have received similar support. Times are different now and it is not as easy to bring industrial projects to the county. Just because a project is not industrial, it should not automatically be turned down. The taxes revenues that would be generated are really needed.

Gary Ferguson – Mr. Ferguson thanked everyone for working on the project. Everyone is trying to better the community. The developer has the land and wants to build, sales tax revenues and jobs will be generated, but all other big boxes have been developed on their own without IDA help. Why is this

one different? The Village of Lansing wants senior housing and has linked the two. The housing is what needs the support. The big box retailer is bankable. Perhaps the two projects could be split where the housing would get the support and the big box would not.

Nick Vazick – Spoke against the project.

Carolyn Peterson – Ms. Peterson thanked Ms. Leopold for her work with the Village of Lansing. Ms. Peterson stated that she is not advocating for a big box for the City of Ithaca. When the City and the IDA work together on a project there are stringent requirements. Her issues with the Arrowhead project are: Housing affordability, sustainability, and living wage jobs. She noted that the roads for the development in the southwest of the city were done under a different administration. She is looking forward to more green industry in the area. She is looking for a no vote on this project.

Julie Baker – Ms. Baker commented that this is an unusual project. What the Village of Lansing wants is a smooth transition from residential to commercial areas. She would ask for support of the project.

Kathy Miller – Ms. Miller commented that because of the economic times we are living in, the incentives are needed and would encourage the IDA to consider supporting the project.

Frank Proto – Mr. Proto stated that the IDA, TCAD, the county, The Village of Lansing and other municipalities involved have taken a lot of time with this project. At the Legislature meeting the project was supported with an 8-6 bi-partisan vote with both city and rural representatives supporting the project. There is a need in this county for entry-level jobs. The sales tax revenues that would be generated would help support struggling county programs. We are one county and the increase in sales tax and property taxes will benefits all if used properly.

Mr. Proto mentioned the Lakesource Cooling project that he opposed when he was on the IDA Board. His opposition was due to the lack of jobs the project would create. That project helped to shape future policies of the IDA and the Arrowhead project could be a similar catalyst for change.

Mr. Proto commented that as a community and a county we all have been through this and urged support for the project. He also commented that the wetlands restoration part of the project is very worthwhile and to loose the use of the Recovery Zone bonds would be a shame.

BUSINESS

Arrowhead Ventures

Ms. Robertson thanked all for their comments. She mentioned that at the Legislature meeting there were some changes to the PIF numbers that would need to be reflected in the resolution before the IDA.

Mr. Dennis commented that there are three positives to this project.

- Sales Tax Revenues
- Property Tax Revenues
- Senior Housing

Mr. Dennis commented that the argument that this project would “set a precedent” in supporting big box retail is not a reason for non-support of the project. Future projects do not have to follow the path of this one. Policies can be reviewed and redone for the future. This is not a reason to stop this project.

Mr. Dennis mentioned that the County Legislature has four members on the TCIDA Board – it has done this to “keep control” of the board. The States Public Authority Accountability Act (PAAA) specifically addresses the point to board member independence. It is not a good idea to have a majority of legislators on an advisory board. He thinks that Ms. Robertson and Mr. Burbank have a dilemma. They voted not to support this project at the Legislature meeting; but the Legislature as a whole voted to support the project.

Mr. Dennis stated he thinks we should use the recovery zone bonds before they go away. The Legislatures decision is that the IDA should approve the project. The county’s budget deficits are not getting better.

Ms. Robertson commented that she had reviewed the minutes from the June 2010 meeting when Arrowhead was first presented to the IDA. She feels that project could be done without IDA support if the housing and wetlands part were removed. She did meet with the developer to see if the IDA could help the Village of Lansing make the housing happen separately. Perhaps if the housing part were delayed slightly then the whole amount of financing could be reduced. She also met with the Mayor of the Village of Lansing to ask him about this. At this point it does not look like the Village would entertain that option. Ms. Robertson stated that she is willing to work with the Village on housing in the future.

Mr. Furman thanked the TCAD staff for all the work they have done with this project. He commented that the TCIDA is in violation of the PAAA with four legislators on its board. This has been commented on by the auditors and mentioned in the audit for two years. This issue needs to be addressed. For most projects before the IDA, the board has been supportive. He feels that the information provided by the developers has not been forthcoming in a form that he can understand. He mentioned that Arrowhead and Triax (owners/managers of the Shops at Ithaca Mall) are the same people. What are their roles?

Mr. Furman stated that he visited a BJ’s store and the store has high-end name brand products. He has looked at the company’s 10K report to shareholders. He feels that the sales are less than presented. He stated that the big box retailer would actually cost the company jobs. He mentioned the issue of abandoned buildings and local businesses being hurt. There is a strong public policy against this type of project. Mr. Furman stated that 70% of products are already available at supermarkets. Density projects, which can include retail, have a long list of community benefits while this project has not been tied to any. There are no environmental requirements or commitments with this project. This project will only generate .14 on each dollar of incentive. He will vote no.

Ms. Robertson commented that the IDA Board did change its bylaws to comply with the PAAA requirements. The county legislature has chosen not to support that change.

Mr. Baum stated that he has always been about taking risks. Sometimes you need to take a chance. This is one of those times. He is comfortable that the big box will not get any significant benefit. The Village of Lansing has set up the structures guiding this project. The new property taxes generated by the big box are 26.76 times higher than the current property taxes on the land. There is a projected

\$800,000 in sales and property tax income in the first year alone. If the big box goes to the City of Ithaca, it will take at least a year to ramp up. It took this developer three years to negotiate a deal with the retailer. If the project goes anywhere else in the county, it will take at least 16 years to make up the \$800,000 that could come in one year. It will take longer than the life of the PIF to make back what we are considering in new tax revenues. To Mr. Furman's point that the project would generate only .14 on the dollar; that is \$4.76 Million in new revenues.

As to Mr. Dennis' point of the PAAA violation, he agrees with that as well.

Mr. Burbank commented on the potential jobs the big box will generate. He does not know how many are involved, what the nature of the jobs would be and if they could support a family. He is concerned that the board is thinking anything is better than nothing. He is conflicted, but will vote no.

Mr. Shinagawa stated that he really appreciates this discussion. He commented that people go to stores for different needs – based on location, products available. He mentioned his own experiences as a single shopper and this family's needs and experiences with buying in bulk. He also reminded all that small businesses use stores like BJ's and Costco to access the wholesale market.

Mr. Shinagawa commented that he sees the project as specifically dedicating the property taxes generated from the BJ's to the housing and wetlands. Please keep in mind that when the county was going through its budget process, the legislature chose to restore \$375,000 in programs that had been cut. This project will give the county \$400,000 in sales tax revenues. Starting next year there will be a 2% property tax cap mandate. Budgets will be cut even more severely.

Mr. Cogan stated that he has found this to be a difficult issue. He is mostly concerned with the issue of setting a precedent. The IDA did not consider density projects in the City of Ithaca until a policy was in place. He feels like there is a double standard with the two types of projects the IDA considers: Industry vs. Density. Density projects have a long list of criteria to meet, while most industry projects do not.

Mr. Cogan does feel that there is a gap in the financing for this project. He sees that the other municipalities have weighed in on this and that the IDA is just the facilitator. The City of Ithaca does not get a lot of sales tax benefit and city residents could potentially be hurt. There is the issue of cannibalization. However, the sales tax leakage to other counties is a real thing. There are those who go outside the county to shop at big box retail stores. He also does realize that the City of Ithaca did "subsidize" the development in the southwest. He will probably support this project. As for moving forward, there is a need to develop a policy on this type of project.

Mr. Burbank commented that he understands his quandary. His view is that this project would use government to promote one particular company.

Mr. Furman stated that he does not agree that there is a gap in the financing. Mr. Cogan responded that he looks at if the projects are fundable; will banks provide funding; will a developer invest his/her own equity.

Ms. Robertson stated that the Village has a right to do what they want. The PIF requires a public benefit for only 12 units of market rate senior housing. There is a need to balance what will be lost. With the figures provided it seems that there will be \$150,000 of subsidy for each housing unit. \$70-\$80k is

usual. The Gateway project had about \$20-\$40K per unit. The cost to build each unit is \$180,000 and thus the developer will only pay \$30,000 per unit. \$1.8M of property taxes will be diverted. With the accountants report it is hard to tell if the financial gap exists and since the developer will end up owning the assets, shouldn't that be figured in?

Ms. Robertson also noted that based on what the County Assessor figured that the PIF's assumption of 2.3% increase in property tax would need to be adjusted to 4%.

Ms. Robertson also expressed her dislike of the number of blanks on the application to the IDA in terms of project costs and projected jobs. In general she supports the use of the recovery zone bonds, is ambivalent about the big box, but just does not want taxes to be diverted to support the developer.

Mr. Shinagawa commented that when one looks at the community benefits in the IDA's density policy and then applies them to this project, you can find 24 public benefits that include: providing a public benefit (senior housing), creating construction jobs, creating permanent jobs, provides housing, creates more than 50 jobs, uses vacant land, uses existing infrastructure. This it does seem like we have a framework of a policy to consider this project.

Mr. Baum asked if the recover zone bond part of the project would generate an administrative fee? Yes it would. Ms. Robertson asked what the fee would be. Mr. Stamm stated that the policy is that the administrative fee would be 1% of the total project costs. This exact amount would need to be worked out. Really the fee should be the least important thing under consideration.

Mr. Dennis moved to approve the resolution as amended by legal council. Mr. Baum seconded the motion.

Mr. Furman stated that he thinks this project sets a low bar in terms of information provided.

Ms. Robertson quoted an article from the Lansing Star: "Lynn Leopold said that Triax approached the Village of Lansing and said if they could get their PDA, then they would give the Village their senior housing."

Mr. Cogan pondered and then stated that he would oppose the project.

Ms. Robertson stated she would like to see the PIF recalculated.

Mr. Dennis called the question on the motion.

Vote:

Robertson – Nay
Cogan – Nay
Furman – Nay
Dennis – Yea
Baum – Yea
Burbank – Nay
Shinagawa – Yea

Motion failed 4-3

Meeting adjourned at 10:30 AM